



Trigon Metals Inc.
(Formerly Kombat Copper Inc.)

**Condensed Interim
Consolidated Financial Statements**

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Trigon Metals Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars - unaudited)

As at	Notes	September 30, 2017	March 31, 2017
ASSETS			
Current assets			
Cash		\$ 312,164	\$ 391,870
Restricted cash		-	30,000
Amounts receivable	4	277,462	80,977
Prepaid expenses		100,509	19,650
Total current assets		690,135	522,497
Non-current Assets			
Property and equipment	5	357,869	354,434
Total Assets		\$ 1,048,004	\$ 876,931
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,12	\$ 340,832	\$ 350,159
Total Liabilities		340,832	350,159
EQUITY			
Equity attributable to shareholders of Trigon Metals Inc.:			
Share capital	10	33,920,305	32,429,180
Warrants	11	860,091	404,821
Contributed surplus	11	935,753	932,686
Deficit		(34,868,382)	(33,118,824)
Total equity attributable to shareholders of Trigon Metals Inc.		847,767	647,863
Non-controlling interest		(140,595)	(121,091)
Total Equity		707,172	526,772
Total Liabilities and Equity		\$ 1,048,004	\$ 876,931

Nature of operation and going concern (note 1)
Commitments and contingencies (note 13)
Subsequent event (note 14)

Approved by the Board of Directors on November 24, 2017.

"Stephan Theron"

Stephan Theron
Director

"Mark Eaton"

Mark Eaton
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Trigon Metals Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended		Six months ended	
		September 30,		September 30,	
		2017	2016	2017	2016
Expenses					
Consulting fees	12	\$ 687,083	\$ 105,614	\$ 885,028	\$ 201,721
Professional fees		12,315	12,960	32,839	22,960
Share-based payments	11	256,648	-	317,212	61,500
Travel and related costs		28,153	11,875	86,478	28,184
Shareholder communications and filing fees		26,451	28,805	52,336	57,423
General and administrative costs		50,688	24,487	82,892	39,781
Exploration and evaluation expenditures	6	261,065	138,774	621,161	214,763
Depreciation	5	884	4,658	2,045	10,537
Bad debt expense		-	-	-	38,697
Foreign exchange loss		(913)	8,491	(716)	7,978
Total expenses		\$ 1,322,374	\$ 335,664	\$ 2,079,275	\$ 683,544
Other items					
Other income		4,608	-	4,608	38,697
Net loss and comprehensive loss					
		\$ (1,317,766)	\$ (335,664)	\$ (2,074,667)	\$ (644,847)
Net loss and comprehensive loss attributable to:					
Shareholders of Trigon Metals Inc.		\$ (1,314,319)	(308,992)	\$ (2,055,163)	\$ (609,993)
Non-controlling interest		(3,447)	(26,672)	(19,504)	(34,854)
		\$ (1,317,766)	\$ (335,664)	\$ (2,074,667)	\$ (644,847)
Loss per share					
Basic and diluted		(0.06)	(0.02)	(0.10)	(0.04)
Weighted average number of common shares outstanding					
Basic and diluted		22,422,818	15,678,944	20,590,691	15,374,395

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Trigon Metals Inc.
Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars - unaudited)

	Notes	Attributable to equity owners of Trigon Metals Inc.						Non-Controlling Interest	Total equity
		Number of common shares	Share Capital	Contributed surplus	Warrants	Deficit	Total shareholders' equity		
Balance as at March 31, 2016		14,519,189	\$ 30,698,100	\$ 1,095,486	\$ 1,801,499	\$ (33,423,723)	\$ 171,362	\$ (51,234)	\$ 120,128
Net loss for the period		-	-	-	-	(609,993)	(609,993)	(34,854)	(644,847)
Private placement		1,431,750	1,145,400	-	-	-	1,145,400	-	1,145,400
Warrants issued	11	-	(411,179)	-	411,179	-	-	-	-
Share and warrants issued costs	11	-	(11,354)	-	(6,358)	-	(17,712)	-	(17,712)
Share-based compensation		-	-	61,500	-	-	61,500	-	61,500
Expired options		-	-	(45,663)	-	45,663	-	-	-
Balance as at September 30, 2016		15,950,939	\$ 31,420,967	\$ 1,111,323	\$ 2,206,320	\$ (33,988,053)	\$ 750,557	\$ (86,088)	\$ 664,469
Balance as at March 31, 2017		18,205,463	\$ 32,429,180	\$ 932,686	\$ 404,821	\$ (33,118,824)	\$ 647,863	\$ (121,091)	\$ 526,772
Net loss for the period		-	-	-	-	(2,055,163)	(2,055,163)	(19,504)	(2,074,667)
Private placement	10	6,581,667	1,974,500	-	-	-	1,974,500	-	1,974,500
Warrants issued	11	-	(461,928)	-	461,928	-	-	-	-
Share and warrants issued costs	10,11	-	(21,447)	-	(6,658)	-	(28,105)	-	(28,105)
Share-based payments	11	-	-	308,672	-	-	308,672	-	308,672
Expired options	11	-	-	(305,605)	-	305,605	-	-	-
Balance as at September 30, 2017		24,787,130	\$ 33,920,305	\$ 935,753	\$ 860,091	\$ (34,868,382)	\$ 847,767	\$ (140,595)	\$ 707,172

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Trigon Metals Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars - unaudited)

		For the six months ended September 30,	
	Notes	2017	2016
Cash provided by (used in):			
Operating activities			
Net loss for the period from continuing operations		\$ (2,074,667)	\$ (644,847)
Adjustments for items not affecting cash:			
Share-based payments	11	317,212	61,500
Depreciation	5	2,045	10,537
Foreign exchange		-	63
Net cash from operating activities before changes in working capital		(1,755,410)	(572,747)
Net changes in non-cash working capital		(295,211)	(236,054)
Net cash flows used in operating activities		(2,050,621)	(808,801)
Investing activities			
Purchase of property and equipment	5	(5,480)	-
Proceeds on equipment disposal		-	3,598
Net cash flows (used in) provided by investing activities		(5,480)	3,598
Financing activities			
Private placement	10	1,974,500	1,145,400
Share and warrant issuance costs	10	(28,105)	(17,712)
Decreased (Increased) in restricted cash		30,000	(30,000)
Net cash flows provided by financing activities		1,976,395	1,097,688
Increase (decrease) in cash during the period		(79,706)	292,485
Cash - Beginning of period		391,870	39,120
Cash - End of period		\$ 312,164	\$ 331,605

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Trigon Metals Inc. (formerly Kombat Copper Inc.) (the “Company” or “Trigon”) was incorporated under the Business Corporations Act of Canada on April 1, 2005. On December 28, 2016, the Company changed its name from Kombat Copper Inc. to Trigon Metals Inc. and its stock symbol from “KBT” to “TM”. The Company’s head office is located at 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on November 28, 2017.

The principal business activities of Trigon and its subsidiaries (collectively, the “Company”) are the acquisition, maintenance, exploration and development of mines and mineral properties in the African country of Namibia. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amounts shown for property and equipment is dependent upon the Company obtaining the necessary financing to complete the exploration and evaluation of its properties, the discovery of economically recoverable reserves and future profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, social and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with current cash on hand, potential proceeds from exercise of warrants/stock options, and further private placements, if available. During the six months ended September 30, 2017, the Company was able to raise funds through private placement financing (see Note 10), however, there is no assurance that additional financing will be available on terms acceptable to the Company, or at all. If additional financing is not available to the Company, there will be material uncertainty casting significant doubt about the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary should the Company be unable to continue operations. Such adjustments could be material.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and have been prepared in accordance with accounting policies based on International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretation Committee (“IFRIC”) interpretations.

The policies set out in the Company’s Annual Consolidated Financial Statements for the year ended March 31, 2017 were consistently applied to all the periods presented unless otherwise noted below.

Basis of preparation

These condensed interim consolidated financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

These consolidated financial statements incorporate the accounts of Trigon Metals Inc. and its subsidiaries, PNT Financeco Corp. (Barbados) 100%, Kombat Holdings Namibia (Pty) Ltd. (Namibia) 100%, Kombat Copper Mine (Pty) Ltd. (Namibia) 100%, and Manila Investments (Pty) Ltd. (“Manila”) (Namibia) 80%. All intercompany transactions, balances, income and expenses are eliminated on consolidation. The 20% of Manila not owned by the Company is owned by the Namibia State Mining Company and a local Namibian partner.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

New and future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for annual accounting periods beginning on January 1, 2018 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not expect the adoption of IFRS 2 to have a significant impact on its financial statements.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New and future accounting changes (continued)

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is considering the potential impact of the adoption of IFRS 9.

IFRS 16 – Leases (“IFRS 16”) was issued by the IASB on January 13, 2016 and will replace existing lease guidance in IFRS and related interpretations, and requires companies to bring most leases on balance sheet. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet considered the potential impact on the adoption of IFRS 16.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is considering the potential impact of the adoption of IFRIC 22.

During fiscal 2018, the Company has adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7 and 12. The new standards and changes did not have any material impact on the Company’s financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

The preparation of condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant areas of estimation and uncertainties considered by management in preparing the consolidated financial statements include:

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (Continued)

Critical judgment in applying accounting policies:

- Control of subsidiaries

The Company consolidates subsidiaries over which it has control. Management assesses control in accordance with IFRS 10 - Consolidated Financial Statements and has determined it controls each of its subsidiaries.

- Determination of functional currency

Based on the primary indicators in IAS 21 – The Effects of Change in Foreign Exchange Rates – the Canadian dollar has been determined as the functional currency of the Company and all subsidiaries as the Canadian dollar is the currency in which funds from financing activities (i.e. issuing debt and equity instruments) are generated and because the activities of the foreign operation are carried out as an extension of the reporting entity, rather than being carried out with a significant degree of autonomy. Effects of changes in foreign exchange rates are recorded as foreign exchange gain (loss) on the statement of loss. If the functional currency of the Namibian entities had been the Namibian dollar, the effect of changes in foreign exchange rates would have been reflected as other comprehensive income and carried as a cumulative translation adjustment within accumulated other comprehensive income in the equity section of the consolidated statement of financial position.

- Assets' carrying values and impairment charges

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Management exercises its judgment in determining when such events or changes in circumstances have arisen and where such circumstances evidence a significant or prolonged decline of fair value on assets indicating impairment.

Key sources of estimation uncertainty:

- Depreciation rates

All property, plant and equipment, with the exception of land and buildings, are depreciated on a straight-line basis over three to five years, which the Company believes is the best approximation of the asset utility to the Company. If the estimated life had been longer than management's estimate, the carrying amount of the asset would have been higher.

- Mineral reserve and resource estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control.

Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and future circumstances could have a material effect in the future on the Company's financial position and results of operation.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS (Continued)

- Assets' carrying values and impairment charges

The determination of carrying values and impairment charges and their individual assumptions require that management make an estimate based on the best available information at each reporting period. Under situations where management has determined indicators of impairment are present, an impairment assessment will be performed by management whereupon management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets.

- Share-based payment transactions

The Company records share-based compensation at fair value over the vesting period. The fair value of the grant is determined using the Black-Scholes options pricing model and management assumptions regarding expected dividend yield, expected volatility, forfeiture rate, risk free rate and expected life. Should the underlying assumptions change, it will impact the fair value of the share-based compensation. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Taxes, income taxes and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

- Contingencies

Refer to Note 13.

4. AMOUNTS RECEIVABLE

	September 30, 2017		March 31, 2017	
Sales tax receivable	\$	71,815	\$	80,970
Other		205,647		7
	\$	277,462	\$	80,977

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Expressed in Canadian dollars - unaudited)

5. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation and consist of the following:

	September 30, 2017			March 31, 2017		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated Depreciation	Net book value
Furniture	\$ 6,300	\$ 6,300	\$ -	\$ 6,300	\$ 6,300	\$ -
Vehicles	104,590	84,223	20,367	104,590	84,223	20,367
Land and buildings	243,428	4,949	238,479	242,811	4,569	238,242
Equipment	166,809	67,786	99,023	161,946	66,121	95,825
	\$ 521,127	\$ 163,258	\$ 357,869	\$ 515,647	\$ 161,213	\$ 354,434

Reconciliation of the carrying amounts for the periods ended September 30 and March 31, 2017 are as follows:

Cost	Furniture	Vehicles	Land & Buildings	Equipment	Total
Balance as at March 31, 2016	\$ 6,300	\$ 104,590	\$ 232,951	\$ 154,076	\$ 497,917
Additions	-	-	2,984	-	2,984
Disposals	-	-	-	(7,317)	(7,317)
Effect of foreign exchange	-	-	6,876	15,187	22,063
Balance as at March 31, 2017	\$ 6,300	\$ 104,590	\$ 242,811	\$ 161,946	\$ 515,647
Additions	-	-	617	4,863	5,480
Balance as at September 30, 2017	\$ 6,300	\$ 104,590	\$ 243,428	\$ 166,809	\$ 521,127
Accumulated depreciation, depletion and impairment					
Balance as at March 31, 2016	\$ (6,300)	\$ (68,843)	\$ (3,046)	\$ (3,128)	\$ (81,317)
Changes for the year	-	(15,380)	(1,523)	(62,993)	(79,896)
Balance as at March 31, 2017	\$ (6,300)	\$ (84,223)	\$ (4,569)	\$ (66,121)	\$ (161,213)
Changes for the period	-	-	(380)	(1,665)	(2,045)
Balance as at September 30, 2017	\$ (6,300)	\$ (84,223)	\$ (4,949)	\$ (67,786)	\$ (163,258)
Net book value as at March 31, 2017	\$ -	\$ 20,367	\$ 238,242	\$ 95,825	\$ 354,434
Net book value as at September 30, 2017	\$ -	\$ 20,367	\$ 238,479	\$ 99,023	\$ 357,869

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

6. EXPLORATION AND EVALUATION EXPENDITURES

	For the three months ended		For the Six months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
License and permit	\$ -	\$ -	\$ 510	\$ -
Assay and survey	19,034	-	19,034	-
Field office and support	45,058	33,709	83,749	64,315
PEA	8,352	-	79,872	-
Consulting and labour	174,109	68,446	398,585	97,675
Travel	14,512	36,619	39,411	52,773
Total exploration and evaluation expenditures	\$ 261,065	\$ 138,774	\$ 621,161	\$ 214,763

The Company retains an 80% interest in its five mining licenses in Northern Namibia through its Manila subsidiary. The mining licenses expire in March 2019.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30,		March 31,	
	2017		2017	
Trade payables	\$ 82,926	\$	223,282	
Accruals	257,906		126,877	
	\$ 340,832	\$	350,159	

8. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value on the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, restricted cash, amounts receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. The Company has no financial instruments recorded at fair value.

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

8. FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities as at September 30 and March 31, 2017 were as follows:

	Cash, loans and receivables	Other liabilities	TOTAL
<u>At September 30, 2017</u>			
Financial assets:			
Cash	\$ 312,164	\$ -	\$ 312,164
Amounts receivable	205,647	-	205,647
Financial liabilities:			
Accounts payable and accrued liabilities	-	340,832	340,832
<u>At March 31, 2017</u>			
Financial assets:			
Cash	\$ 391,870	\$ -	\$ 391,870
Restricted cash	30,000	-	30,000
Amounts receivable	7	-	7
Financial liabilities:			
Accounts payable and accrued liabilities	-	350,159	350,159

9. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company's share capital is not subject to any external restrictions.

Risk management is carried out by the management team under policies approved by the Board of Directors. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended September 30, 2017. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2017, the Company may not be compliant with the policies of the TSXV. The impact of any such violation is not known and is ultimately dependent on the discretion of the TSXV.

Financial risks

The Company's financial instruments comprise cash, restricted cash, amounts receivable and accounts payable and accrued liabilities. The main use of these financial instruments is to fund operations and the pursuit of capital transactions. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are credit risk, liquidity risk and market risk. The Company has no interest rate risk as there are no outstanding bank borrowings and no interest rate exposure, as the Company finances its operations primarily through share offerings.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

9. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Financial risks (continued)

Management mandates and agrees policies for managing each of these risks. The Company is exposed to a variety of financial risks by virtue of its activities including but not limited to those summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable.

The sensitivity analysis has been prepared for the six months ended September 30, 2017, using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets. With respect to credit risk arising from financial assets of the Company, which comprise cash and cash equivalents and minimal receivables, the Company's exposure to credit risk arises from default of counterparties, with a maximum exposure equal to the carrying amount of these instruments. Cash and restricted cash balances are held with high credit quality financial institutions. The credit risk of the Company is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances.

The Company manages its liquidity risk by forecasting cash flows required for operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash balance of \$312,164 (March 31, 2017 – \$391,870) and amounts receivable of \$205,647 (March 31, 2017 - \$7). As at September 30, 2017, the Company's financial liabilities consisted of accounts payable and accrued liabilities of \$340,832 (March 31, 2017 - \$350,159) based on contractual undiscounted payments, all due in less than one year.

During the six months ended September 30, 2017, the Company raised \$1,974,500 through private placement financing.

Market and foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of copper. The Company monitors copper prices to determine the appropriate course of action to be taken.

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

9. CAPITAL MANAGEMENT AND FINANCIAL RISK FACTORS (Continued)

Market and foreign currency risk (continued)

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its subsidiaries. The Company is exposed to currency risk by incurring certain expenditures in US dollars, Namibian dollars and South African Rand for its operations in Namibia. The Company has sought to minimize this risk by keeping its cash reserves in Canadian dollars and only purchasing US dollars, Namibian dollars and South African Rand as needed.

Sensitivity analysis

The carrying amount of cash, accounts receivable and accounts payable equals fair market value. The effect of changes in foreign exchange rates on net loss is deemed insignificant as the number and amount of foreign-currency transactions are relatively small. Had the foreign exchange rates been higher (lower) by 10%, the foreign exchange in the consolidated statement of loss would have been lower (higher) by approximately \$4,556.

10. SHARE CAPITAL

(a) Authorized:

Unlimited number of voting common shares

Unlimited number of non-voting preferred shares, issuable in series

(b) Issued:

Reconciliation of the number and value of common shares for the periods ended September 30 and March 31, 2017 are as follows. All issued shares are fully paid.

	Number of shares	Issued Capital
Balance, March 31, 2016 and 2015	14,519,189	\$ 30,698,100
Shares issued pursuant to private placement	3,686,274	2,159,936
Cost of issue	-	(17,677)
Warrants issued	-	(411,179)
Balance, March 31, 2017	18,205,463	\$ 32,429,180
Shares issued pursuant to private placement	6,581,667	1,974,500
Cost of issue	-	(21,447)
Warrants issued	-	(461,928)
Balance, September, 2017	24,787,130	\$ 33,920,305

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

10. SHARE CAPITAL (Continued)

On June 1, 2017, the Company announced the closing of a non-brokered private placement of units. The Company issued 1,616,667 units at a price of \$0.30 per unit for aggregate gross proceeds of \$485,000. Each whole unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.40 for a period of 36 months following the closing date. The issue date fair value of the warrants was estimated at \$104,845 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 107%; risk-free interest rate of 0.75% and an expected life of 3 years. The Company also paid share and warrant issue costs of \$3,675.

On July 31, 2017, the Company announced the closing of the first tranche of a non-brokered private placement of units. The Company issued 1,848,333 units at a price of \$0.30 per unit for aggregate gross proceeds of \$554,500. Each whole unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.40 for a period of 36 months following the closing date. The issue date fair value of the warrants was estimated at \$131,259 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 120%; risk-free interest rate of 1.37% and an expected life of 3 years. The Company also paid share and warrant issue costs of \$7,500.

On August 22, 2017, the Company announced the closing of the second of a non-brokered private placement of units. The Company issued 3,116,667 units at a price of \$0.30 per unit for aggregate gross proceeds of \$935,000. Each whole unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.40 for a period of 36 months following the closing date. The issue date fair value of the warrants was estimated at \$225,824 using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 124%; risk-free interest rate of 1.30% and an expected life of 3 years. The Company also paid share and warrant issue costs of \$16,930.

11. EQUITY RESERVES

Options

	September 30, 2017	March 31, 2017
Balance - beginning of period	\$ 932,686	\$ 1,095,486
Expired/cancelled options	(305,605)	(237,819)
Share based compensation	308,672	75,019
Balance - end of period	\$ 935,753	\$ 932,686

Under the Company's stock option plan, the Company may grant options to its directors, officers, employees and consultants for up to 10% of the outstanding common stock. Under the plan, the exercise price of each option must not be less than the market price of the Company's stock on the date of grant, less any allowable discount. The maximum term of a stock option is five years.

On April 20, 2017, the Company granted 250,000 stock options to directors of the Company. The options vested immediately on the date of grant and are exercisable at a price of \$0.29 per option for a period of five years from the date of grant. The fair value of these options estimated on the date of the grant using the Black-Scholes option pricing model was \$58,950 with the following assumptions: expected volatility of 117%, expected dividend yield of 0%, risk-free interest rate of 1.03% and expected life of 5 years.

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

11. EQUITY RESERVES (Continued)

Options (Continued)

On July 19, 2017, the Company granted 675,000 stock options to directors, officers and a consultant of the Company. The options vested immediately on the date of grant and are exercisable at a price of \$0.385 per option for a period of five years from the date of grant. The fair value of these options estimated on the date of the grant using the Black-Scholes option pricing model was \$212,423 with the following assumptions: expected volatility of 117%, expected dividend yield of 0%, risk-free interest rate of 1.52% and expected life of 5 years.

On August 11, 2017, the Company granted 25,000 stock options to a consultant of the Company. The options vested immediately on the date of grant and are exercisable at a price of \$0.24 per option for a period of five years from the date of grant. The fair value of these options estimated on the date of the grant using the Black-Scholes option pricing model was \$4,742 with the following assumptions: expected volatility of 110%, expected dividend yield of 0%, risk-free interest rate of 1.46% and expected life of 5 years.

On September 5, 2017, the Company granted 275,000 stock options to consultants of the Company. 75,000 of the total options vested immediately on the date of grant, whereas 200,000 options vest quarterly over four equal installments every three months with the first installment vesting three months from the date of grant. These options are exercisable at a price of \$0.35 per option for a period of five years from the date of grant. The fair value of these options estimated on the date of the grant using the Black-Scholes option pricing model was \$80,465 with the following assumptions: expected volatility of 123%, expected dividend yield of 0%, risk-free interest rate of 1.56% and expected life of 5 years.

On September 30, 2017, the Company accrued 25,000 stock options granted to a consultant of the Company. These options were granted on October 11, 2017, vested immediately and are exercisable at a price of \$0.415 per option for a period of five years from the date of grant. The fair value of these options estimated on the date of the grant using the Black-Scholes option pricing model was \$8,540 with the following assumptions: expected volatility of 119%, expected dividend yield of 0%, risk-free interest rate of 1.77% and expected life of 5 years.

Reconciliation of the number of options for the periods ended September 30 and March 31, 2017 are as follows:

	Six months ended		Year ended	
	September 30, 2017		March 31, 2017	
	Stock Options	Exercise price	Stock Options	Exercise price
Balance - Beginning of period	1,392,000	\$0.97	1,419,500	\$1.10
Granted	1,225,000	\$0.35	195,000	\$0.50
Expired	(440,000)	\$1.06	(222,500)	\$1.37
Outstanding, End of period	2,177,000	\$0.61	1,392,000	\$0.97
Exercisable, End of period	1,970,750	\$0.63	1,373,250	\$0.97

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Expressed in Canadian dollars - unaudited)

11. EQUITY RESERVES (Continued)

Options (Continued)

As at September 30, 2017 the Company had stock options outstanding and exercisable as follows:

Option Summary							Black-Scholes Assumptions			
Grant date	Expiry date	Number outstanding	Number exercisable	Exercise price	Grant date fair value	Dividend yield (%)	Expected volatility (%)	Expected life (years)	Risk free rate (%)	Forfeiture Rate
2-Jan-14	2-Jan-19	135,500	135,500	\$1.30	\$ 121,308	0	137	5	1.93	0
13-Mar-14	13-Mar-19	42,500	42,500	\$1.60	\$ 59,925	0	137	5	1.59	0
26-Feb-15	26-Feb-20	358,500	358,500	\$1.00	\$ 218,685	0	144	5	0.78	0
8-Mar-16	8-Mar-21	220,500	220,500	\$0.85	\$ 152,145	0	116	5	0.72	0
22-Jun-16	22-Jun-21	150,000	150,000	\$0.50	\$ 61,500	0	120	5	0.70	0
20-Oct-16	20-Oct-21	25,000	18,750	\$0.50	\$ 7,793	0	114	5	0.71	0
10-Nov-16	10-Nov-21	20,000	20,000	\$0.50	\$ 8,052	0	115	5	0.87	0
20-Apr-17	20-Apr-22	250,000	250,000	\$0.29	\$ 58,950	0	117	5	1.03	0
19-Jul-17	19-Jul-22	675,000	675,000	\$0.385	\$ 212,423	0	117	5	1.52	0
11-Aug-17	11-Aug-22	25,000	25,000	\$0.24	\$ 4,742	0	110	5	1.46	0
5-Sep-17	5-Sep-22	275,000	75,000	\$0.35	\$ 80,452	0	123	5	1.56	0
		2,177,000	1,970,750	\$ 985,975						

Warrants

Share purchase warrant transactions for the periods ended September 30 and March 31, 2017 are summarized as follows:

	Six months ended		Year ended	
	September 30, 2017		March 31, 2017	
	Number of Warrants	Amount	Number of Warrants	Amount
Outstanding, Beginning of period	1,431,750	\$ 404,821	5,942,030	\$ 1,801,499
Issued	3,290,832	461,928	1,431,750	411,179
Expired	-	-	(5,942,030)	(1,801,499)
Warrant issue costs	-	(6,658)	-	(6,358)
Outstanding, End of period	4,722,582	\$ 860,091	1,431,750	\$ 404,821

As at September 30, 2017 the Company had share purchase warrants outstanding as follows:

Grant date	Expiry date	Number outstanding	Exercise price	FMV at grant date
17-May-16	17-May-19	1,106,750	\$1.30	\$ 322,924
16-Sep-16	16-Sep-19	325,000	\$1.30	\$ 88,255
1-Jun-17	1-Jun-20	808,333	\$0.40	\$ 104,845
31-Jul-17	31-Jul-20	924,166	\$0.40	\$ 131,258
22-Aug-17	22-Aug-20	1,558,333	\$0.40	\$ 225,824
		4,722,582	\$0.67	\$ 873,106

Trigon Metals Inc.
Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

12. RELATED PARTY TRANSACTIONS

Compensation of Key Management

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	Three months ended		Six months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Consulting fees	\$ 169,000	\$ 97,500	\$ 369,500	\$ 177,000
Share-based payments	204,555	-	263,505	61,500
	\$ 373,555	\$ 97,500	\$ 633,005	\$ 238,500

Included in accounts payable and accrued liabilities as at September 30, 2017 is approximately \$44,814 consulting, moving and travel expenses (March 31, 2017 - \$2,239 consulting fees) charged by officers and directors of the Company.

Of the private placement financing that closed on June 1, 2017, a related company which has a common director acquired 666,667 units for gross proceeds of \$200,000.

Of the private placement financing that closed on July 31, 2017, directors and officers of the Company acquired an aggregate of 383,333 units for gross proceeds of \$115,000.

Of the private placement financing that closed on August 22, 2017, officers of the Company acquired an aggregate of 133,333 units for gross proceeds of \$40,000.

13. COMMITMENTS AND CONTINGENCIES

Environmental

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Manila Investments (Pty) Ltd. – Property obligations

On April 23, 2012, the Company purchased through the acquisition of Manila, 80% of the mining assets commonly known as the Kombat mine whose assets include a 100% interest in five (5) Mining Licenses in northern Namibia. As at September 30, 2017, the Company has expended sufficient capital to ensure the licenses remain in good standing for the duration of the license period. The licenses expire in March 2019.

Trigon Metals Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Expressed in Canadian dollars - unaudited)

13. COMMITMENTS AND CONTINGENCIES (Continued)

Management Contracts

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments of up to \$1,152,000 be made to the officers of the Company upon the occurrence of certain events such as a change of control. As the triggering effect has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately \$539,000, all due within one year.

The Company also has a \$50,000 commitment for bonus payments for which the triggering event has not occurred as at September 30, 2017. Upon the occurrence of the triggering event, the Company will have an increase in commitments relating to the subsequent occurrence of certain events such as a change of control or termination of the management contracts.

14. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, 216,666 warrants were exercised for gross proceeds of \$86,666.

See Note 11.